

SUBCOMMITTEE NO. 3

Agenda

Senator Denise Moreno Ducheny, Chair
Senator Dave Cox
Senator Wesley Chesbro



Thursday, May 18, 2006
1:00 p.m.
Room 4203

Consultant: Dave O'Toole

“A” AGENDA

DEPARTMENT OF VETERANS AFFAIRS

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8950 Department of Veterans Affairs

The Department of Veterans Affairs (DVA) has three primary objectives: (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor's budget funds 1,608.6 positions (including 139.1 new positions) and budget expenditures of \$314.7 million for the department, including the veterans' homes.

VOTE-ONLY ITEMS

A. Capital Outlay Finance Letter: Yountville Veterans Home Member Services Building

The Administration proposes to increase expenditures by \$1.3 million (Public Buildings Construction Funds) to reflect updated cost estimates for the remodel of the Member Services Building at the Yountville Veterans Home. Total state project costs are expected to be \$9.3 million. In addition, this project is expected to receive \$14.0 million in federal funds in the 2007-08 fiscal year. Costs have risen due to a March 2006 fire and increased costs for construction, inspection, and construction management. This request would also make a change to the title to Member Services Building to conform to federal nomenclature.

B. Finance Letter: Technology Refresh

The Administration requests \$421,000 for consultants to prepare two feasibility study reports leading to the replacement of the Veterans Home Information System (VHIS) and updating the technology infrastructure in the Department of Veterans Affairs. The VHIS has required frequent and expensive maintenance for the database. The department also faces a looming need for an up-to-date electronic information system to accommodate the Greater Los Angeles Ventura County home to open in 2008 and other Veterans Homes. The department does not have staff with the relevant health care and IT backgrounds to conduct the needed feasibility study reports.

VOTE on Vote-Only Items:

DISCUSSION ITEMS

1. Finance Letter: Position Funding Realignment from Farm and Home Program

The Department of Veterans Affairs requests a permanent General Fund augmentation of \$2.117 million to realign funding for positions that had been funded out of the Farm and Home Program. The Bureau of State Audits has expressed support for this realignment.

Staff Comment: The BSA Audit from May 2000 noted that, “a rapid decline in the population of eligible California veterans and limited funding threaten the long-term viability of the California Veterans Farm and Home Purchase Program.” Since that time, program activity has dropped further, while the DVA has not evidently reduced staff to reflect decreased workload. This request represents \$2.117 million in position expense for positions redirected to other purposes more appropriately funded by General Fund.

The department reports that the Farm and Home Loan Program has reduced positions (including 55 in 2003) pursuant to the decline in workload, as well as redirected positions to address the steep workload increase caused by the opening of the Barstow Veterans Home in 1995 and Chula Vista in 2000. Rather than charge the General Fund for that additional workload, the department has used Farm and Home Loan Program funds.

At the April 27 Subcommittee hearing, the department testified on the difficulty of identifying positions that have been redirected from the Farm and Home Program since 1999 to work on General-funded programs. The following language has been suggested to direct the department to conduct a formal workload analysis of the \$2.117 million (approximately 25 positions worth of shifted funding) for consideration in the next budget cycle.

X. Of the amount appropriated in this item, \$2,117,000 is for the realignment of 25 positions from the Farm and Home Program to other programs supported by schedule (4) of this item. No later than January 10, 2007, the Department of Veterans Affairs will submit to the Department of Finance and the Joint Legislative Budget Committee a workload justification and budget change proposal to support the ongoing need for these 25 positions and funding.

Staff Recommendation: ADOPT the Finance Letter and budget bill language above.

VOTE:

2. BCP: Salary Savings Adjustment for Barstow, Chula Vista, and Yountville Veterans Homes

The Department of Veterans Affairs requests \$1.7 million General Fund to reduce salary savings by an amount equivalent to 27.8 nursing positions. This adjustment would recognize the significant overtime work of 24-hour care staff at the Veterans Homes and under funding of personal services budgets.

The Administration asserts that such exemptions would be consistent with existing practice for other 24-hour care state facilities. This proposal would not result in actual nurses being hired, but rather a reduction to the current salary savings rate used for the

veterans homes. This BCP seeks a lower rate in order to recognize overtime commitments that reduce available funding.

Staff Comment: In their *Analysis of the 2006-07 Budget Bill*, the LAO had recommended that this BCP be rejected, based largely on the absence of analysis of specific positions that have experienced trouble with providing care. The request did not recognize that departments are generally expected to use management strategies to accommodate coverage issues, such as using overtime, adjusting schedules to accommodate after-hours workload, coordinating vacation schedules, and other similar approaches.

At the April 27 hearing, this issue was left open to allow the department, DOF, and LAO to revisit the request and come up with a more suitable proposal. It was noted in that hearing that the request for exemption from statewide salary savings practice for 27.8 positions is an unrelated solution to the significant hiring and retention problem.

The department has revised their proposal and identified an temporary fix to address the hiring and retention challenges for nursing positions. The following adjustments to temporary help and overtime budgets are proposed for the 2006-07 fiscal year and identify a need for \$1.122 million in the budget year.

Veterans Home Location	Overtime	Temporary Help
Yountville	\$585,922	\$85,928
Barstow	153,800	\$245,291
Chula Vista	(25,946)*	\$76,911
Total Adjustment:	\$713,777	\$408,131

*The department believes they will be overappropriated for overtime costs.

Also noted at the April 27 hearing, several BCPs submitted by the department include positions but no salary savings. The department did this to reflect the salary savings policy change underlying this proposal. Consistent with the issue revision described above, those salary savings should be restored. The salary savings adjustments are discussed in issues below.

Staff Recommendation:

1. REJECT the BCP.
2. AUGMENT the DVA budget by \$1.122 million for the overtime and temporary help costs described in the staff comments. This revised proposal will be approved on a one-year basis only, with the expectation that the department will return next year with a long-term solution to overtime and retention problems.

VOTE:

3. BCP: Yountville Veterans Home: Open Renovated Annex I for Alzheimer's and Dementia Patients

The Department of Veterans Affairs requests \$3.8 million General Fund and 75.7 positions to open the newly rebuilt and renovated Annex 1 for Alzheimer's and Dementia patients. The Yountville Veterans Home plans to open this facility to serve 40 patients on

July 1, 2006, and the remaining 35 patients on January 1, 2007. A corresponding augmentation of \$1.3 million (\$371,000 General Fund) and 33.5 positions will staff and backfill two nursing wards with other patients after the existing Alzheimer's and Dementia Unit is vacated.

Staff Comment: The position request does not include a reduction for salary savings. Consistent with the prior discussion, salary savings should be budgeted at five percent and any funding shortfalls addressed with a specific proposal. Furthermore, since these positions will not be filled at the start of the budget year, recognition of a five percent salary savings is especially appropriate in the first year.

At the April 27 hearing, the Subcommittee reduced this request by \$32,000 to remove classification advertising funding.

Staff Recommendation: REDUCE the proposal by \$96,000 to reflect a five percent salary savings.

VOTE:

4. BCP: Yountville Veterans Home – Increased Food Budget

The Department of Veterans Affairs requests \$132,000 General Fund ongoing to augment the food budget at the Yountville Veterans Home. Allowances per day have remained unchanged at \$5.75/day per resident since 1999-00. The department proposes to increase the rate to \$6.72/day.

Staff Comment: The proposed 17 percent food budget augmentation at the Yountville Veterans Home is based on DGS Price Letter calculations. Price Letter figures for foodstuffs are based on a statewide rate, applied regardless of function or location of a facility. A more instructive comparison may be comparing a similar facility, such as the nearby Sonoma Developmental Center, which budgets \$8.00/day for their patients.

At the April 27 hearing, the department was directed to provide a comparison of food costs by home. It was explained at that hearing that the Yountville Veterans Home is the only home that does not contract out dining services and therefore a straight cost comparison between homes would be difficult. The department was been able to parse out labor costs (incidentally, contracted labor for food services are cheaper at the Barstow and Chula Vista Veterans Homes) and made a food comparison as follows:

Barstow Veterans Home:	\$7.34/day
Chula Vista Veterans Home:	\$7.61/day
Yountville Veterans Home:	\$5.75/day

Another important comparison made in the response is the menu cycle. The Chula Vista and Barstow Veterans Homes have a five week menu cycle, whereas the Yountville Veterans Home has a three week menu cycle.

Staff Recommendation: APPROVE the budget change proposal.

VOTE:

5. Departmental Operating Expense Projections

The Department of Veterans Affairs has revised their budget to reflect updated calculations for operating expense. The change reduces the headquarters unit operating expense budget in the 2006-07 from \$11,460,000 to \$9,398,000, a savings of \$2,062,000

Staff Recommendation: REDUCE the Veterans Affairs—Headquarters Unit operating expense budget by \$2,062,000.

VOTE:

6. BCP: Yountville Veterans Home: Re-open Skilled Nursing Wards 1A and 1B

The Department of Veterans Affairs requests 33.5 positions and \$1.3 million (\$371,000 General Fund) to re-open Wards 1A and 1B as a skilled nursing unit at the Yountville Veteran's Home in January 2007. The full year cost of this proposal is \$2.5 million. This reopening will allow the facility to expand its available skilled nursing unit beds from 1160 to 1200. The existing skilled nursing unit operates at near capacity and has a waiting list of over 300 persons.

Staff Comment: The position request does not include a reduction for salary savings. Consistent with the prior discussion, salary savings should be budgeted at five percent and any funding shortfalls addressed with a specific proposal. Furthermore, since these positions will not be filled at the start of the budget year, recognition of a five percent salary savings is especially appropriate in the first year.

This request includes \$5000 for advertising expenditures. Consistent with actions taken by the Subcommittee on April 27, these costs are unsupportable as an augmentation. The department should consider redirections for this purpose.

Staff Recommendation: AMEND the request by eliminating funding for advertising (-\$5000) and adjusting the salary savings level to five percent (-\$30,000).

VOTE:

7. BCP: Barstow Veterans Home—Intermediate Care Facility to Full Capacity

The Department of Veterans Affairs requests to expand available beds from 40 to 60 at the intermediate care facility at the Barstow Veterans Home. The department will add 10.6 positions and augment by \$1.334 million (\$906,000 General Fund). The 20 beds were voluntarily shut down in 2003 after a series of incidents involving mistreatment of residents at the Barstow facility. The Department of Health services restored the Barstow Veterans Home authority to begin reopening a nursing facility in April 2005.

Staff Comment: The position request does not include a reduction for salary savings. Consistent with the discussion in issue #5, salary savings should be budgeted at five percent and any funding shortfalls addressed with a specific proposal. Furthermore, since these positions will not be filled at the start of the budget year, recognition of a five percent salary savings is especially appropriate in the first year.

A 2003-04 negative BCP, which recognized the closure of the specialized nursing facility at the Barstow Veterans Home, shows a minimal loss of non-consultant, non-equipment, operating expense (OE) related to the 174 positions lost. Specifically, only \$47,000 was reduced along with those positions. At an absolute minimum, each position reduction should have been accompanied by an OE reduction of \$3000 per position, or \$522,000.

The DVA has disclosed that since the closure of the Barstow skilled nursing facility in October 2003, the Home has redirected approximately \$311,000 in operating expense to temporary help. On an annualized basis, the department has redirected approximately \$120,000/year from available OE to temp help.

Based on this information, the OE funding requested with the ten new positions, \$405,000, should be reduced by \$355,000 (\$522,000 - \$120,000 - \$47,000) to reflect already available OE funds.

Staff Recommendation: REDUCE the request by \$374,000 to reflect five percent salary savings (reduction of \$19,000) and an operating expense complement of \$50,000 for the new positions (reduction of \$355,000).

VOTE:

8. BCP: Veteran's Home Barstow – Staffing Adjustment for Certified Nursing Assistants

The Department of Veterans Affairs requests 4.2 positions and \$233,000 General Fund to conform to federal staffing requirements for certified nursing assistants at the intermediate care facilities at the Barstow Veterans Home. Total required staffing is 16 positions.

Staff Comment: The DVA has acknowledged an error in budgeting facilities costs. The original BCP included \$10,000 for facilities costs that were subsequently determined to be unnecessary.

The position request does not include a reduction for salary savings. Consistent with the salary savings issue considered previously, salary savings should be budgeted at five percent and any funding shortfalls addressed with a specific proposal. Furthermore, since these positions will not be filled at the start of the budget year, recognition of a five percent salary savings is especially appropriate in the first year.

Staff Recommendation: REDUCE the operating expense budget by \$10,000 and personal services funding by \$7000 to recognize five percent salary savings (total reduction of \$17,000).

VOTE: